

Economic Growth

The transition to a sound, market-oriented economy driven by private sector growth and a competitive, free-market environment is key to the success of Bulgaria's economic reform. Strengthening business competitiveness through improved productivity and reduced legislative, regulatory, and administrative barriers to private business is necessary for future economic expansion, sustained prosperity, and regional stability. To enhance this process, USAID has concentrated its efforts towards boosting economic growth and generating employment, with the intention of positioning the Bulgarian economy to sustain competitive pressure and prepare the private sector for European Union accession and global market integration.

Support to the Private Sector

Approach:

- Providing technical assistance to enterprises and competitive industry clusters
- Promoting regional trade and stimulating investment
- Improving country competitiveness by developing and implementing industry level strategies
- Supporting venture capital funds, credit mobilization and financial intermediation to increase access to finance and capital for small and medium-sized enterprises

Firm Level Assistance

The Firm Level Assistance Group (FLAG) is a consortium of four U.S.-based, not-for-profit

organizations engaged in *Technical Assistance to Private Enterprises*. The consortium was established in 1996, providing direct technical assistance, trade facilitation, and training to private firms and small and medium-sized enterprises (SMEs) through the development of tailored assistance packages. To improve the business environment and develop a more competitive and productive private sector, FLAG provides market and new technology information to Bulgarian companies and industry clusters, as well as assists their participation at world trade events. Technical assistance is also provided to Bulgarian firms seeking debt or equity financing in the development of business plans.

Promoting Economic Growth Through Agricultural Restructuring

Since the inception of its assistance program in 1991, USAID has sought to support private sector development of the agricultural sector. Efforts initially focused on assisting farmers and cooperatives to meet the challenge of restructuring and privatization. Considerable support was provided to different agriculture associations. USAID was also involved in the land reform of the early nineties by providing a \$10 million grant to the Bulgarian Government in support of land restitution. Since 1996, the Agency's agricultural projects have focused on the promotion of economic growth and improved competitiveness of Bulgarian agribusinesses dealing with grain and feed processing; meat, poultry and fish processing; fruit and vegetable processing; bakery and confectionery; and, honey production and processing. In addition, three banks originate credit under USAID's *Warehouse Receipts Program*, furnishing farmers with credit against grain held as collateral in licensed bounded warehouses.



USAID/Bulgaria
Partners in Transition

USAID FACTS:

- 234 joint ventures and trade linkages established worth over \$30 million
- \$16.7 million committed since 1997 to support private firms operating in the agribusiness, construction, light manufacturing and tourism sectors
- 3,617 new jobs created and more than 19,000 jobs retained
- 10% average annual increase in the exports of FLAG's clients
- \$3.5 million in farm sector credit by use of the Warehouse Receipts System

Micro-Credit and SME Financing

Started in 1999 to respond to the growing unemployment and increasing poverty, USAID's *Micro-finance Initiatives* strive to increase the availability of credit to micro enterprises through the development of sustainable financial institutions. The programs provide small loans to micro-enterprises, improve the legislative framework for micro-lending, and extend technical assistance to micro-finance intermediaries.

Financial Intermediation

To increase the flow of credit from the banking sector to private enterprises, as well as address the private sector's need for working capital and investment, USAID has initiated a number of *Financial Intermediation Programs* aimed at mobilizing private sector credit. These include debt and equity finance, and loan guarantee facilities.

The *Bulgarian-American Enterprise Fund (BAEF)* is a private U.S. corporation established by the U.S. Congress to promote free enterprise and entrepreneurship in Bulgaria. The Fund makes equity investments in and loans to Bulgarian private businesses. It has also pioneered a very successful mortgage lending scheme. In late 2000, a \$7 million *Trans-Balkan Bulgaria Fund* was established with USAID regional funding to promote regional market development. To increase the availability of credit for bankable proposals of

Bulgarian private firms, USAID has also established *two loan guarantee facilities* providing U.S. Government-guaranteed credit of up to 50% for projects in key competitive industry sectors.

USAID FACTS:

- Over \$57 million in BAEF equity investments and loans to nearly 700 Bulgarian companies
- A new \$20-million Development Credit Authority loan scheme established with First Investment Bank
- More than 2,250 micro-credit clients
- A total of \$2 million in micro-credit loans outstanding, with 50% of credit lent out to women

Policy Reform

Approach:

- Strengthening the legislative, regulatory, and policy environment conducive to private sector growth
- Facilitating effective public-private sector dialogue and advocacy strengthening
- Providing technical assistance in drafting and implementation of commercial legislation

Instituting Dynamic Public-Private Dialogue

USAID initiated its work in building the public-private dialogue in 1997 through a program focusing on business association strengthening, advocacy, and lobbying. Since then, the *Implementing Policy Reform Program* has made significant progress in instituting dynamic and effective dialogue between private sector representatives such as business associations and the Bulgarian Government. To improve the Bulgarian Government's ability to communicate policy developments to the public, a series of public relations campaigns were conducted in a number of reform areas, including banking, social security, healthcare, and capital markets. The objective is to nurture a sustainable process of broad policy dialogue by which the private sector actively

engages in developing and advocating its policy agenda. In addition, the program has developed and is currently implementing a Country Competitiveness Initiative aimed at improving the competitiveness of the Bulgarian economy on the global marketplace. Based on a rigorous analysis of sector trends and competitive advantages, the Agency has identified seven industry clusters with considerable export potential: agribusiness, tourism, information technologies, canning, apparel, wine, and transport/shipping.

Drafting and Implementing Commercial Legislation

The *American Bar Association/Central and East European Legal Initiative (ABA/CEELI)* provides U.S. legal expertise to help Bulgaria modernize its legal structure and improve the policy framework necessary to support economic growth. The focus of the program is on supporting and strengthening reform-minded indigenous organizations and institutions through training and policy workshops, legal assessments, and information exchange in the fields of commercial law reform and anti-corruption. Specific areas of legislative assistance include alternative disputes resolution, antitrust law, banking reform, procurement law, intellectual property rights, and trade law. Virtually all of ABA/CEELI's initiatives include components that address corruption.

USAID FACTS:

- 26 draft laws with analysis, 19 summaries of Parliament Commission meetings, and 17 economic analyses plus trade leads disseminated to 240 business associations
- Supported the creation of the Parliament Information Center, to date visited by over 2,000 individuals and servicing 22 paid subscribers
- Amendments to the Labor Code adopted with USAID assistance, establishing a mediation entity for resolving collective bargaining disputes